

Appendix **A**

Applicable Laws and Exhibits

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The Internal Accounting Law, as amended, is reproduced below. The text of the Internal Accounting Law follows:

INTERNAL ACCOUNTING LAW (Section 49-2-110, TCA)

Student activity fund--Regulations--Handling and management--Accounting--Bond.--(a)The several schools may, if authorized by the particular board of education having jurisdiction over such school or schools, receive funds for student activities as hereinafter provided, and for events held at or in connection with the school, including contracts with other schools for inter-school events and funds derived from such sources shall be the property of the respective schools; however, the board of education granting such authorization, shall provide for its school system reasonable regulations, standards, procedures, and an accounting manual covering the various phases of student body activity funds and other internal school funds accounting, including, but not limited to: (1) the bonding of those who are responsible for handling the funds; (2) the proper handling of cash receipts, the making of deposits, the management of funds, the expenditures of funds and the accounting for funds; (3) the auditing of funds; (4) the making of financial reports; (5) the carrying of necessary insurance; (6) the use of proper business and accounting forms; (7) the collection of state and federal taxes; (8) the purchase of supplies and equipment; (9) the powers and responsibilities of the principal of the school in connection with the handling of student body activity funds and other internal school funds; (10) the preparation of a student body activity fund budget and the budgetary control of expenditures; and (11) ways and means of evaluating and improving all phases of student body financial activities and the handling of other internal school funds in accordance with accounting practices and procedures as are generally recognized in public

school systems . . . (c) The school shall not require any student to pay a fee to the school for any purpose, except as authorized by the board of education, and no fees or tuitions shall be required of any student as a condition to attending the public school, or using its equipment while receiving educational training. (d) The principal of each school shall have the duty of instituting and following the reasonable regulations, standards, procedures, and the accounting manual adopted by the board of education having jurisdiction over the school (1) The principal shall be liable to account for the safekeeping and handling of all funds of every character raised by student activities, school services, and school events, irrespective of the sources of such funds, or the purpose for which they were raised . . . (e) The department of education shall prepare a uniform accounting policy manual for local school systems, subject to the approval of the Comptroller of the Treasury and the Commissioner of Finance and Administration, and each local school system is required to adopt such manual when issued and maintain all activity fund books and records in accordance with the requirements of such manual. . . .

The text of the **internal school audit law** follows:

ANNUAL AUDITS OF SCHOOLS (Section 49-2-112, TCA)

(a)(1) The local board of education shall cause an annual audit to be made of the accounts and records of all schools under its jurisdiction which receive and disburse funds. (2) The audit shall include, but not be limited to, the activity funds described in TCA 49-2-110.

(b)(1) The Comptroller of the Treasury, through the department of audit, shall be responsible for ensuring that the audits are prepared in accordance with generally accepted government auditing standards and determining if the audits meet minimum audit standards and regulations which

shall be prescribed by the Comptroller of the Treasury. (2) No audit may be accepted as meeting the requirements of this section until such audit has been approved by the Comptroller of the Treasury.

(c)(1) Such audits may be prepared by certified public accountants, public accountants or by the department of audit. (2) In the event the board of education fails or refuses to have the audit prepared then the Comptroller of the Treasury may appoint a certified public accountant or public accountant or direct the department of audit to prepare the audit: The cost of such audit to be paid by the board of education.

(d)(1) All such audits shall be completed as soon as practicable after June 30 of each year. (2) One (1) copy of each audit shall be furnished to the superintendent of schools, each member of the board of education, and the Comptroller of the Treasury. Copies of each audit shall also be made available to the press.

(e) All audits performed by the internal audit staffs of any such schools shall be conducted in accordance with the standards established by the Comptroller of the Treasury pursuant to *TCA 4-3-304(9)*.